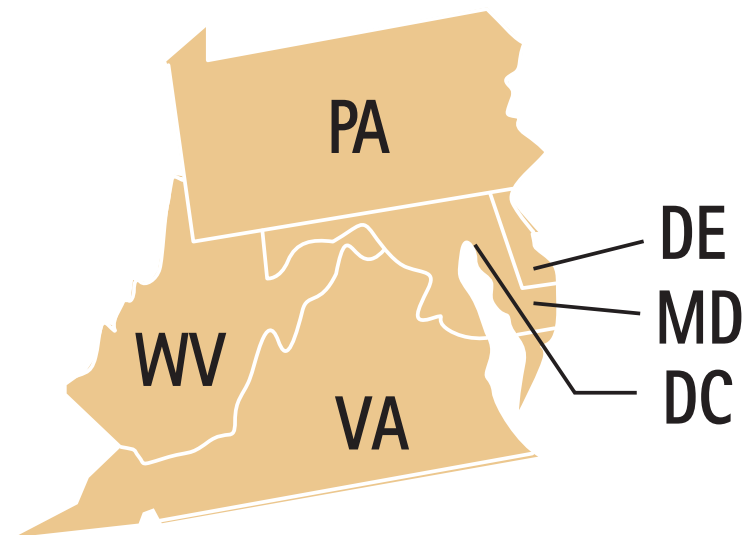


Region 3 Environmental Finance Center

AT THE UNIVERSITY OF MARYLAND



In This Report

| | |
|------------------------------------|----|
| Background & Summary..... | 42 |
| Activities & Accomplishments | 43 |
| Performance Measures | 50 |



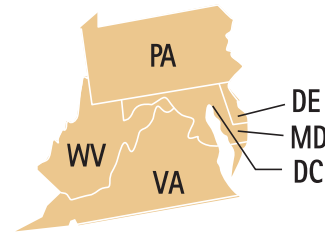
BACKGROUND & SUMMARY

With support from the U.S. Environmental Protection Agency (EPA), the Environmental Finance Center (EFC) at the University of Maryland was created to assist the six communities of EPA's Region 3 (Pennsylvania, Delaware, Maryland, Washington, D.C., Virginia, and West Virginia) in identifying innovative and equitable means of paying for environmental projects. The center promotes ways to manage the cost of environmental activities through technical assistance, training and curriculum development, and outreach activities such as workshops, charrettes, and conferences.

To help communities and local governments participate in effective and responsible environmental management on a watershed scale, the Maryland EFC works to develop and deliver useful, innovative technical assistance and training for financing environmental protection and restoration. To advance this goal in 2005, the EFC focused on the following key objectives:

- Delivering training and information on watershed-based financing.
- Investigating new and innovative uses of funding sources and emerging markets.

REGION 3



- Assisting communities and local governments with capacity development.
- Developing efficient and effective outreach and education tools to deliver information about innovative and sustainable environmental finance approaches.
- Working with key partners, such as the Chesapeake Bay Program and the University of Maryland Institute for Governmental Service.

ACTIVITIES & ACCOMPLISHMENTS



Completed and Ongoing Projects & Initiatives

In its ongoing work with local decision-makers about the benefits of sound environmental management, the Maryland EFC continues to provide general technical assistance to local governments, land trusts, homeowners associations, and others interested in finding new and innovative ways to pay for environmental restoration and protection activities in their watersheds. In addition to responding to needs and requests for assistance, the EFC has participated in several watershed financing initiatives, as follows:

THE SUSTAINABLE FINANCING INITIATIVE

In 2005, the EFC expanded its watershed financing programs with the development of the Sustainable Financing Initiative. Funded by a grant from the EPA Sustainable Finance Team. The goal of this initiative is to provide communities with the tools they need to effectively finance and implement watershed protection plans. The EFC held three workshops, and planned one more, throughout Region 3 focused on helping communities overcome barriers to implementing their watershed plans:

1. Financing Open Space Protection: Talbot County, Maryland – June 22, 2005

The first workshop in the series took the form of roundtable discussion with a panel of regional financing and resource experts and representatives from the Talbot County government and agricultural community. The goal of the event was to develop a sustainable financing strategy for financing and implementing its Countryside Preservation Area Program to protect more than 11,000 acres around the county's four incorporated towns.

After conducting the full-day workshop, the Maryland EFC prepared a follow-up report

In 2005, the Maryland EFC...

- ◆ Held 12 charrettes, workshops, and trainings.
- ◆ Plan to conduct 26 additional trainings.
- ◆ Drew more than 100 participants to its charrettes.

(see <www.efc.umd.edu/pdf/TalbotReport.pdf>) that outlines in detail the recommended financing strategy for county officials. In this report, the EFC suggested that effective implementation of the Countryside Preservation Area Program would require an open dialogue with municipal officials from the county's four incorporated towns and offered to facilitate a workshop to engage the municipal officials while presenting the results from this project. The EFC is currently awaiting word from the Talbot County Council as to when to schedule this next step.

2. Sustainable Watershed Financing in Pennsylvania: State College, Pennsylvania – October 5, 2005

The second workshop in this series was held at the Fifth Annual Conservation District Watershed Specialists Meeting in coordination with the Pennsylvania Department of Environmental Protection. The Maryland EFC conducted a full-day watershed financing workshop for more than 100 state watershed specialists. Presentations focused on three core areas: 1) developing financing strategies, 2) financing stormwater management, and 3) coordinating financing with watershed organizations. Guest presenters included the URS Corporation, the Center for Watershed Protection, and the Region 10 EFC at Boise State University. All attendees received a binder containing additional resources and reference materials, as well as a copy of the EFC at Boise State's Plan2Fund software program for use with their local watershed organizations.

ACTIVITIES & ACCOMPLISHMENTS

3. Financing Land Preservation in the Cacapon and Lost River Watershed: Berkeley Springs, West Virginia – November 2, 2005

On June 27, 2005, the Maryland EFC held an initial meeting with the executive director of the Cacapon and Lost River Land Trust and a handful of land protection experts familiar with the region and the work of this trust. The trust has been successful in protecting farmland in the watershed, primarily through donated easements, but is now faced with the challenge of developing a long-range financial strategy for purchasing easements to protect a particularly critical section of land in the watershed. The trust determined that an EFC facilitated financing charrette would be an effective tool in the problem-solving process and ultimately served as the steering committee for the event, holding a series of planning meetings throughout summer 2005.

On November 2, 2005, the EFC conducted the financing charrette for the trust at Cacapon Resort State Park in Berkeley Springs, West Virginia. A panel of land preservation and financing experts from around the region joined members of the Cacapon and Lost River Land Trust to develop a sustainable financing strategy for acquiring land that would link the currently protected Hampshire County Conservation Hub to the George Washington National Forest as well as to the Short Mountain Wildlife Management Area.

The EFC is presently assembling data and conducting additional research on the programs and suggestions discussed in the charrette. This information will be included in a final report to the trust outlining, in detail, the recommended land protection financing strategy. An additional follow-up meeting is anticipated for the formal presentation to the trust of the recommendations in this final report. To see the results of this and other charrettes, visit www.efc.umd.edu/charrette.html



4. Financing Land Protection on Virginia's Northern Neck

A final workshop is planned for Virginia's Northern Neck. The EFC has been coordinating with the newly formed Northern Neck Land Conservancy to conduct a workshop to develop a financing strategy to help the conservancy manage the increasing growth that currently threatens the region's natural and cultural resources.

The EFC conducted two charrette planning meetings with representatives of the Northern Neck Land Conservancy's board of directors and anticipates holding at least one more planning meeting prior to facilitating a full-day financing charrette on preserving natural and cultural resources in the region. The recommendations of the resource protection and financing experts in attendance will be compiled into a comprehensive strategy document for the Northern Neck Land Conservancy.

ADDITIONAL TRAINING

The EFC continues to conduct training sessions and workshops targeting elected officials, utility operators, engineers, and others interested in the concepts and technicalities of properly managing and sustaining utility systems. During the past year, the EFC training manager has conducted training sessions at six locations on a variety of topics:

ACTIVITIES & ACCOMPLISHMENTS

- At the National Environmental Services Center Annual Training Institute: *Local Officials' Responsibilities, Budgeting from Scratch*, and *Financial Management Basics*
- At the request of the Virginia Rural Water Association: *Utility Rates and Cost Recovery*
- At the request of the Delaware Rural Water Association: *Capital Improvements Planning*
- At the request of the Delaware Office of Drinking Water: *Capital Improvements Planning*
- At the joint request of the Delaware Office of Southeast Rural Community Assistance Partnership (RCAP) and the Delaware Rural Water Association: *Capital Improvements Planning and Asset Management*
- At the request of the American Water Works Association (AWWA) annual Distribution System Symposium conference planning committee: *Rates and Cost Recovery for Small Systems and Asset Management for Small Systems*

The EFC expects to conduct 26 additional training sessions across the region. These sessions will be offered in partnership with organizations such as:

- The Rural Water Associations of the states of Delaware, Maryland, Pennsylvania, West Virginia, and Virginia.
- The Environmental Training Centers in Delaware and Maryland.
- The Small Public Water Systems Technical Assistance Center (SPWSTAC) at Penn State-Harrisburg.
- Maryland Rural Development Corporation (MRDC).
- Southeast Rural Community Assistance Partnership (SERCAP serving Delaware).

- RCAP Solutions (formerly Northeastern RCAP, serving Pennsylvania).
- Great Lakes RCAP (serving West Virginia).
- The Maryland Municipal League and the Academy for Excellence in Local Government.
- The National Environmental Services Center (NESC) at West Virginia University (WVU)

CHESAPEAKE BAY FINANCING AUTHORITY

With support from EPA and the Maryland Sea Grant College, the Maryland EFC played a key role in staffing the Chesapeake Bay Watershed Blue Ribbon Finance Panel. The EFC and the Sea Grant College helped support the early planning and formation of the panel, especially in gathering and synthesizing background and analytical materials. Although the panel concluded its work in October 2004, important follow-up activities continued through 2005, including distributing the report, presenting to stakeholder audiences, and helping to plan for implementation.

The EFC continues to distribute both the final report and a CD created by the Chesapeake Bay Program (the EFC helped provide digitized information for the CD) to a broad range of stakeholders, from citizens to graduate-level university classes. The EFC's staff also distributed a white paper on models for various types of financing authorities.



ACTIVITIES & ACCOMPLISHMENTS

Of particular importance was the EFC's ongoing participation in last year's planning efforts for devising an implementation plan for a Chesapeake Bay Financing Authority. The EFC, in partnership with the Chesapeake Bay Program Office, staffed and managed the committee charged with developing a framework for this new authority. The idea for the authority was a cornerstone of the work of the Blue Ribbon Panel, and this new committee was charged with providing the Chesapeake Executive Council with a proposal for how the authority should be structured, funded, and implemented. The goal of the committee was to identify and make recommendations on a structure for developing the regional financing authority to fund Chesapeake Bay restoration efforts.

Working in partnership with the Institute for Governmental Service, the EFC managed the staffing effort, including coordinating, facilitating, and implementing three committee meetings. Most importantly, the EFC provided the committee with analysis and technical assistance on issues related to fiscal, legal, political, and administrative barriers to implementing a financing authority. Finally, the EFC was responsible for writing and producing the final proposal document. A white paper report (see <www.efc.umd.edu/pdf/FinancingAuthorityTemplate.pdf>) was delivered to the Principals' Staff Committee on July 1, 2005.

INTER-AGENCY TECHNICAL ASSISTANCE COMMITTEE FOR WASTEWATER SYSTEMS IN MARYLAND

The EFC continued its participation and leadership with the Inter-Agency Technical Assistance Committee for Wastewater Systems in Maryland (ITAC). In 2005, ITAC embarked on the second phase of its duties following the submission of its first report to the governor and legislature in December 2004. As part of its continuing work to provide specific recommendations and technical assistance to wastewater systems throughout Maryland, ITAC formed the Financial Management Practices Subcommittee and instructed the committee to form recommendations for improving the Maryland



systems' management practices, as well as specific training programs and products to enhance financial management proficiencies. The subcommittee is charged with formulating recommendations on how to improve planning practices among Maryland's small systems and how to encourage and ensure the inclusion of small system plans and needs in the surrounding county's comprehensive utility plans.

The EFC's training and education manager was named chair of the Financial Management Practices Subcommittee. The subcommittee identified the need for a streamlined, statewide application review for systems applying for financial assistance from the various state programs and called upon the Maryland EFC for assistance. ITAC delivered a final report to the Maryland Legislature in September 2005.

In addition, a memorandum of understanding has been approved by the subcommittee outlining a pledge by the Maryland Department of the Environment, U.S. Department of Agriculture/Rural Utilities Service, and Maryland Department of Housing and Community Development to consult with each other and meet at least once per year to review applications and direct funding to the most needed recipients. If approved and implemented, such a joint effort will be a first for the state. In addition, the subcommittee is considering other measures, such as establishing a training requirement for non-technical system personnel (managers and governing board members) and specific training programs to address management and finance deficiencies that have been identified in the course of the committee's ongoing activities.

ACTIVITIES & ACCOMPLISHMENTS

New Projects & Initiatives

STORMWATER FINANCING INITIATIVE

Financing stormwater management is one of the most pressing issues facing communities throughout the region and the country. The cost of meeting federal and state stormwater permitting programs is an extraordinary fiscal burden on many communities. Often complicating efforts to finance large-scale stormwater management projects is the lack of local financial and fiscal capacity. The first step in financing extensive stormwater management efforts is understanding a community's capacity to plan, finance, manage, and implement complex programs. The Stormwater Financing Initiative will provide communities with a tool to gauge their capacity to implement these projects.

The EFC's goal is to convene a team of experts to help local officials develop a framework for financing extensive stormwater management programs as part of the state permitting processes. As part of an intensive two- to three-day financing charrette, the team will work with local officials to identify key community strengths and weaknesses related to fiscal, political, and institutional capacity. The team will focus on issues such as financial management, developing local ordinances, and organizational and institutional capacity.

The following core outputs have been achieved:

- The EFC developed the basic program objectives and structure and began discussions with necessary stakeholder groups. As part of that effort, the EFC conducted and/or participated in three community outreach events to explain the new program and offered the service to interested participants.
- The EFC held several meetings with officials from the Pennsylvania Department of Environmental Protection (DEP). The DEP is a strong supporter of the project and has offered technical assistance and support.
- The EFC developed a core implementation team that includes technical consultants and outreach organizations, including the Center for Watershed Protection.

As a result of initial meetings with the Pennsylvania DEP, the EFC identified two pilot watersheds for this project: the Piney Creek watershed outside Pittsburgh and the Upper Darby watershed outside Philadelphia.

FINANCING LAND PROTECTION IN VIRGINIA'S SHENANDOAH VALLEY

The Shenandoah Resource Conservation and Development Council invited the Maryland EFC to participate in initial regional discussions on how to approach land preservation, direct growth, and improve water quality around the Shenandoah River. Seven Virginia counties were represented at the November 16 meeting and all were interested in the concept of an EFC-facilitated financing charrette to examine the range of issues as well as develop sustainable, long-term financing and implementation strategies for protecting water resources in the region.

The EFC participated in the initial meeting and a series of additional planning meetings to determine the most effective method of engagement.

SCHUYLKILL RIVER AND DELAWARE RIVER FINANCING PROJECTS

The EFC was contacted by the Schuylkill Action Network (SAN) and the Partnership for the Delaware Estuary (PDE) to provide assistance in developing a



ACTIVITIES & ACCOMPLISHMENTS

feasibility study for a regional financing authority to fund strategic projects throughout the Schuylkill and Delaware River watersheds. The EFC has agreed to assist SAN and PDE in developing a strategic approach to identifying watershed protection and restoration costs, community fiscal capacity, and strategies for protecting the two watersheds and anticipates ongoing work on this project throughout the next fiscal year.

The EFC participated in several steering committee meetings and submitted a proposed implementation strategy to SAN and PDE officials.

CHESAPEAKE NONPOINT EDUCATION FOR MUNICIPAL OFFICIALS (NEMO) INITIATIVE

The EFC agreed to participate in the new Chesapeake Bay NEMO project, which will provide technical assistance and outreach support to coastal communities throughout Maryland and Virginia. The goal of this initiative is to coordinate activities of a network of technical service organizations and agencies to protect coastal environments and communities. The Maryland EFC has offered to lead the efforts to provide financing and capacity development services. The first NEMO meeting was held on June 24, 2005, with subsequent meetings scheduled for the upcoming calendar year. Targeted focus areas include Maryland and Virginia communities along the Delmarva Peninsula.

EPA SOURCE WATER COLLABORATIVE

The Maryland EFC, in partnership with leaders from other EFCs around the country, has been participating in a new EPA-led effort to facilitate source water protection efforts across the country. The work of this coalition of organizations is focused on the source—the lakes, streams, rivers, and aquifers tapped for drinking water and the land needed to protect and recharge those bodies of water. The Source Water Collaborative brings together a broad set of constituencies and competencies to work on a single issue—protecting the sources of drinking water. Working together, the collaborative has the credibility, reach, and expertise to speak and act with authority, an impact no single member can achieve.

The coalition will develop useful recommendations about what is needed to protect sources of drinking water. In addition, the coalition will share—through regular communication and during quarterly meeting—information about best practices in source water protection and the people who make land use decisions, both in community planning and in stewardship practices.

C & O CANAL STEWARDSHIP TASK FORCE

The EFC director was contacted by the staff of Maryland Congressman Chris Van Hollen, who sought assistance for facilitating and directing a task force dealing with forest stewardship issues along the Chesapeake & Ohio (C&O) Canal National Historic Park. The goal of the task force was to provide recommendations for more effective local, state, and federal stewardship of public and private lands along the park's boundaries. The EFC facilitated monthly task force meetings and provided technical assistance for the activities of the task force.

FINANCIAL MANAGEMENT TRAINING INITIATIVE

The EFC has become a regional leader in developing and implementing small system utility training programs. The EFC's work focuses on providing in-depth training on issues related to financial and asset management, capacity development, and revenue and rate-setting. Throughout the next fiscal year, the EFC will continue to expand its systems training and outreach efforts.

The EFC has recently begun the Financial Management Training Initiative in partnership with the Institute for Governmental Service (IGS). The aim of this initiative is to create a comprehensive training program for system operators at all levels of expertise, capacity, and experience that will utilize Web-based technologies, training manuals, and onsite programs. The EFC training manager recently convened a steering committee comprised of state, local, and organizational training experts that will work with the EFC and IGS to identify issues and resources essential to local systems.

ACTIVITIES & ACCOMPLISHMENTS

The initiative will develop training tools on issues essential to effectively managing wastewater and drinking water utilities. The first product will be a comprehensive Web-based search tool that will assist communities in finding training tools and programs from around the country. In addition, the Web site will include online training programs, white papers, and training resources. The second product will be a comprehensive training manual that will serve as a utility system's "textbook" for systems operators. The textbook will address issues such as:

- Drinking Water System Capacity—Technical, Managerial, and Financial
- Analyzing Financial Capacity
- Revenues and Rate Setting
- Calculating General Overhead
- Minimum Reserve Levels
- Government Finance Officers Association recommended practices
- Budgeting and Planning
- Accounting and Bookkeeping
- Master Business Planning
- Capital Improvement Planning
- Integrated Asset Management
- Asset Management and Compliance—GASB 34
- Legal, Financial and Administrative Responsibilities
- Overview of regulations and compliance issues

The EFC's goal is to develop an implementation strategy and template for both the Web site and the guidebook during the upcoming fiscal year.

COMMUNITY VISIONING

Maryland's Eastern Shore is under strong development pressure as a result of an increasing population. The Eastern Shore has become a popular place to live because of its proximity to major cities and surrounding suburbs, recreational opportunities, low cost of living, and low crime rate. Small municipalities on the Eastern Shore are struggling to cope with the onslaught of growth with limited, or sometimes non-existent, staff. These communities typically have insufficient financial resources and often outdated zoning ordinances. Many are looking for ways to turn this growth into sustainable community development.

The EFC has developed a partnership with Washington College in Chestertown, Maryland, as part of its community visioning initiative. As part of this relationship, the EFC is serving on a steering committee, which provides guidance on issues related to implementing and financing environmental initiatives. In addition, the EFC is working with program partners to develop implementation and follow-up resources for communities that participate in the visioning process.

The partnership began its first community pilot in Talbot County, Maryland. The program is focusing on the community's agricultural industry and ways to protect farming economies and agricultural lands in the face of increasing development pressure. Through a series of forums and workshops, the partnership is providing community officials with the resources they need to make more informed decisions related to the future of agriculture in the region. This program is building on recent work conducted by EFC in Talbot County, which has focused on the county government's ability to protect and preserve critical open space and farmland.

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PERFORMANCE MEASURES

Outcomes

As a result of the activities and accomplishments outlined in the previous section, outcomes have included or will include the following:

SERVICES PROVIDE BASIS OF MUNICIPAL STRATEGIES

The workshop/charrette process and the final recommendation reports from the series of four meetings regarding sustainable financing will serve as the foundation for sustainable financing strategies to be instituted by county officials, watershed specialists, and trusts. With the continued success, this model could serve as a national example of effective land preservation.

In addition, as a result of the EFC's capacity development and training program, communities across the region have had access to training that will enhance their knowledge and commitment to responsible and effective utility management practices, including planning, budgeting, and rate-setting. The result will be better and more effective fiscal management in small communities throughout the region.

The recommendations developed in the regional financing charrette will provide local elected officials, resource protection agencies, and watershed organizations with a template for effective coordination for financing natural resource protection efforts in the Shenandoah region.

WORKSHOP EFFECT GROWS EXPONENTIALLY

Many participants in the sustainable financing workshop mentioned their intention to share what they had learned with other local officials, watershed organizations, and trusts. In addition, several watershed specialists from various regions of the state requested the EFC's participation in stormwater management efforts in their communities. The EFC is currently involved in intense follow-up activities in these communities.

EFC PROVIDES BASIS OF INFLUENCE ON KEY ISSUES

The recommendations of the C&O Canal task force will be used to influence local, state, and federal efforts to protect this significant regional natural resource. Task force recommendations will play a significant role in strengthening local land use and forest stewardship regulations and could provide a national example of effective inter-jurisdictional coordination of land protection efforts.

ROLE AS REGIONAL TRAINING LEADER EXPANDS

As a result of the EFC's capacity development and training program, communities across the region will have access to coordinated, effective training tools that will leverage a variety of training and technical assistance resources. This outcome should lead to better-coordinated, more effective training programs, intended to produce more effective fiscal management in small communities throughout the region.

Impacts

In 2005, the Maryland EFC continued its mission to help communities identify innovative ways to pay for environmental projects and promote ways to manage the cost of environmental activities. Specific environmental issues addressed through the EFC's activities and accomplishments include:

- Watershed restoration and protection
- Source water protection
- Open space protection
- Land preservation
- Forest stewardship
- Natural and cultural resource protection
- Wastewater and stormwater management
- Chesapeake Bay restoration